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## Labor market lessons from occupational colleges

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It has long been understood that attaining a bachelor's degree is one of the surest paths to higher earnings in the labor market. Data from the Bureau of Labor Statistics, for example, show that among full-time workers ages 25 and over, those holding a bachelor's degree but no advanced degree earned about \$1,100 per week in the second quarter of 2013 compared with about \$650 per week for those with a high school diploma and no college. Not surprisingly, enrollment at institutions of higher education in the United States has been climbing for decades, and public 4-year colleges and universities have nearly doubled their enrollment numbers over the past 40 years. In addition, as many as 9 in 10 recent high school graduates say they plan to get a bachelor's degree, and more than 4 in 5 actually enter college within 8 years of graduation.

To help meet this demand for education, the nation has also seen a proliferation of 2-year community colleges in recent decades, and these institutions have traditionally been promoted as a gateway to the ultimate goal of earning a bachelor's degree at a 4-year college or university. But community colleges have poor rates of degree completion, with just 37 percent of students completing a 2- or 4-year degree within 8 years of graduating from high school.

A related trend in recent decades is the growth of private "occupational colleges," which offer accredited degrees and certificates in fields such as health care, information technology, and protective services. In a recent study called "Beyond BA blinders: lessons from occupational colleges and certificate programs for nontraditional students" (*Journal of Economic Perspectives*, spring 2013, pp. 153–172), researchers James E. Rosenbaum and Janet Rosenbaum present an economic analysis of occupational colleges. As the title of their article suggests, the authors' main purpose is to draw "lessons" from what these colleges do well in comparison to traditional 4-year colleges and universities. Focusing on what the authors call the "better" occupational colleges—that is, private, accredited colleges that have exemplary student outcomes—Rosenbaum and Rosenbaum find that these institutions employ basic economic principles in designing various innovative procedures that lead to better labor market outcomes for their students. In particular, the procedures used at these select occupational colleges increase incentives—both monetary and nonpecuniary—as well as help students make sound education and career choices and gain access to proven labor market signals—such as certification and other credentials—that assist them in getting a job in their field.

The authors organize their findings into six "lessons" that can be learned from the procedures employed by the occupational colleges they studied. The first lesson is that these colleges enhance incentives among their students "by offering quicker credentials and making them an automatic part of the curriculum path," conferring both 1-year certificates and 2-year associate's degrees. Although community colleges offer many of these same certificates and degrees, they are often "deemphasized," according to the authors, with students more focused on their longer-term goal of earning a 4-year degree. Hence, many community college students are unaware that they could obtain a certificate or other credential that may provide labor market dividends even while they pursue their bachelor's degree.

A second lesson is that the occupational colleges increase student incentives "by avoiding or postponing obstacles that cause delays and failures. For instance, occupational colleges in the study do

not require students to take noncredit remedial courses, which are common at community colleges. Instead, occupational colleges incorporate any necessary remedial lessons into their occupational courses and thus avoid a costly and substantial noncredit obstacle.

Lesson three involves what Rosenbaum and Rosenbaum call “a fail-first sequence” at many traditional 2-year colleges: students there often take more academically oriented courses to help them prepare for advanced coursework on their way to a bachelor’s degree, but this can lead to poor outcomes, such as failing a class or getting discouraged and dropping out. By contrast, occupational colleges increase incentives by providing what the authors call “incremental success,” which means that students begin by taking courses that are “relatively easy, engaging, career relevant, and [that] teach skills of general value.”

The fourth lesson from occupational colleges is that they impose what Rosenbaum and Rosenbaum call “structured choice,” meaning that students have less flexibility in choosing their courses. At more traditional colleges and universities, deciding which courses to take at what time has been considered part of the educational process, allowing students to explore their individual interests. But this approach can lead to problems for students at community colleges, particularly those with weaker academic backgrounds. Alternatively, the occupational colleges have implemented a system of structured choice in which students’ choices are much more limited: once students have decided on their career goals, the school tells them what courses they must take and the timeslots in which to take them.

The final two lessons that can be learned from occupational colleges are that they have mandatory student advising and “school-directed job placement.” Mandatory advising ensures that students’ progress is closely monitored, which keeps students on track toward their goal, while occupational colleges invest heavily in signals, thereby functioning effectively as a job placement agency for their graduates.